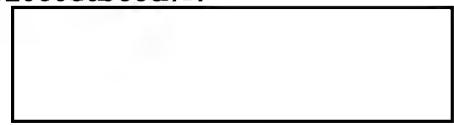


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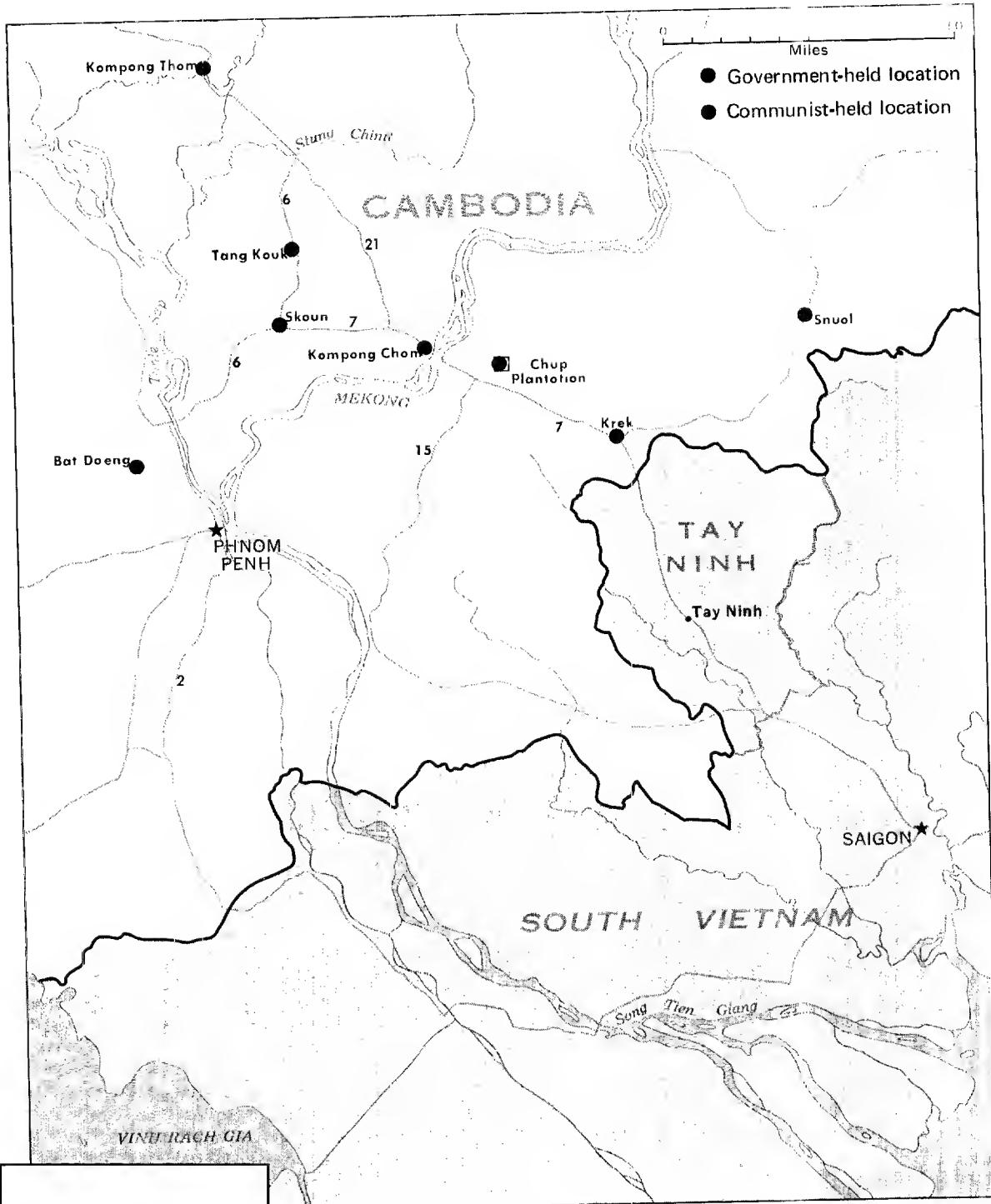
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SOUTH VIETNAM - CAMBODIA: Several South Vietnamese units operating in eastern Cambodia are being withdrawn to help deal with a possible increase in Communist military action within South Vietnam.

Several recent damaging enemy rocket and sapper attacks on South Vietnamese staging bases in north-western Tay Ninh Province and [redacted]

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25X1. [redacted] impending enemy activity along the approaches to Saigon evidently prompted the South Vietnamese to pull back--possibly at least through the Tet holidays in mid-February. Moreover, there is a [redacted] report that some of the airborne units just withdrawn are already being transferred to the western highlands, which may soon be threatened by augmented enemy forces.

The South Vietnamese operations probably have served to keep Communist forces off balance and to disrupt normal enemy logistics activity. On the other hand, the Cambodian hope that the operations would help relieve the pressure on embattled Cambodian troops along Route 6 was never realized.

In comparison with their previous dry season offensive, the South Vietnamese have resorted to much more cautious and conservative tactics in eastern Cambodia during the past six weeks. South Vietnamese forces have not made any sustained effort to penetrate into known enemy bases but have generally relied on heavy air strikes followed by limited sweep operations. The South Vietnamese uncovered few sizable supply caches, and the only significant contact with the Communists took place in the Dambe area. They later moved out of the southern part of the Chup plantation when it appeared that several enemy regiments were in position to go into action against them. For their part, the Communists evidently sensed the South Vietnamese unwillingness to overcommit themselves and so far seem to have been content to stay out of harm's way and to only harass South Vietnamese positions. [redacted]

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USSR-INDIA-BANGLADESH: The USSR apparently will participate along with the Indians in efforts to revive economic activity in Bangladesh.

The proposed Soviet trade pact and recently announced arrangements for Russian technicians to assist Bangladesh probably represent largely a reinstatement of Soviet project activity disrupted by civil strife and recent hostilities. The USSR in the late 1960s had committed funds for and had surveyed an electrical equipment plant in East Pakistan, and was in the final stages of constructing a thermal power station in 1971.

The trade agreement and technical aid probably are designed to establish the USSR in the new leaders' good graces without responding to Indian and Bengali pressure for formal Soviet recognition. Moscow hopes to maintain some presence in Islamabad and clearly does not want to be too far out in front of the rest of the world in establishing formal relations with Bangladesh.

Soviet assistance will supplement that of India. New Delhi already has agreed to provide financial aid and administrative expertise and presumably will play a major role in helping to manage the newly nationalized jute industry. It is clear, however, that Moscow and New Delhi cannot fully meet Dacca's enormous aid requirements, and that Western donors eventually will be called on to provide substantial assistance.

Dacca has announced a government take-over of 27 jute mills, 13 jute export firms, and other associated facilities. Jute manufacture is Bangladesh's only major industry and most important export. In 1970, exports of raw jute and jute manufactures amounted to some \$320 million or 90 percent of total exports.

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Meanwhile, the Bangladesh authorities reportedly have begun to make some headway in establishing an administrative structure. Although non-Bengalis are still having difficulties in some localities, the combined efforts of the government, the Indians, and some Mukti Bahini units apparently have prevented a further deterioration of law and order. According to India's eastern front commander it should soon be possible to pull some troops out of Bangladesh.

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FEDAYEEN: Yasir Arafat has shaken up Fatah's leadership in an attempt to strengthen his position.

Salah Khalaf, a radical critic and principal challenger of Arafat since the confrontation between Jordan and the fedayeen in September 1970, has been stripped of all responsibility, including direct control of Fatah's intelligence network [redacted]

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[redacted] Arafat's brother-in-law has been appointed deputy commander of all Fatah military forces and the rest of Khalaf's duties have been divided among other Fatah officials who are close to Arafat.

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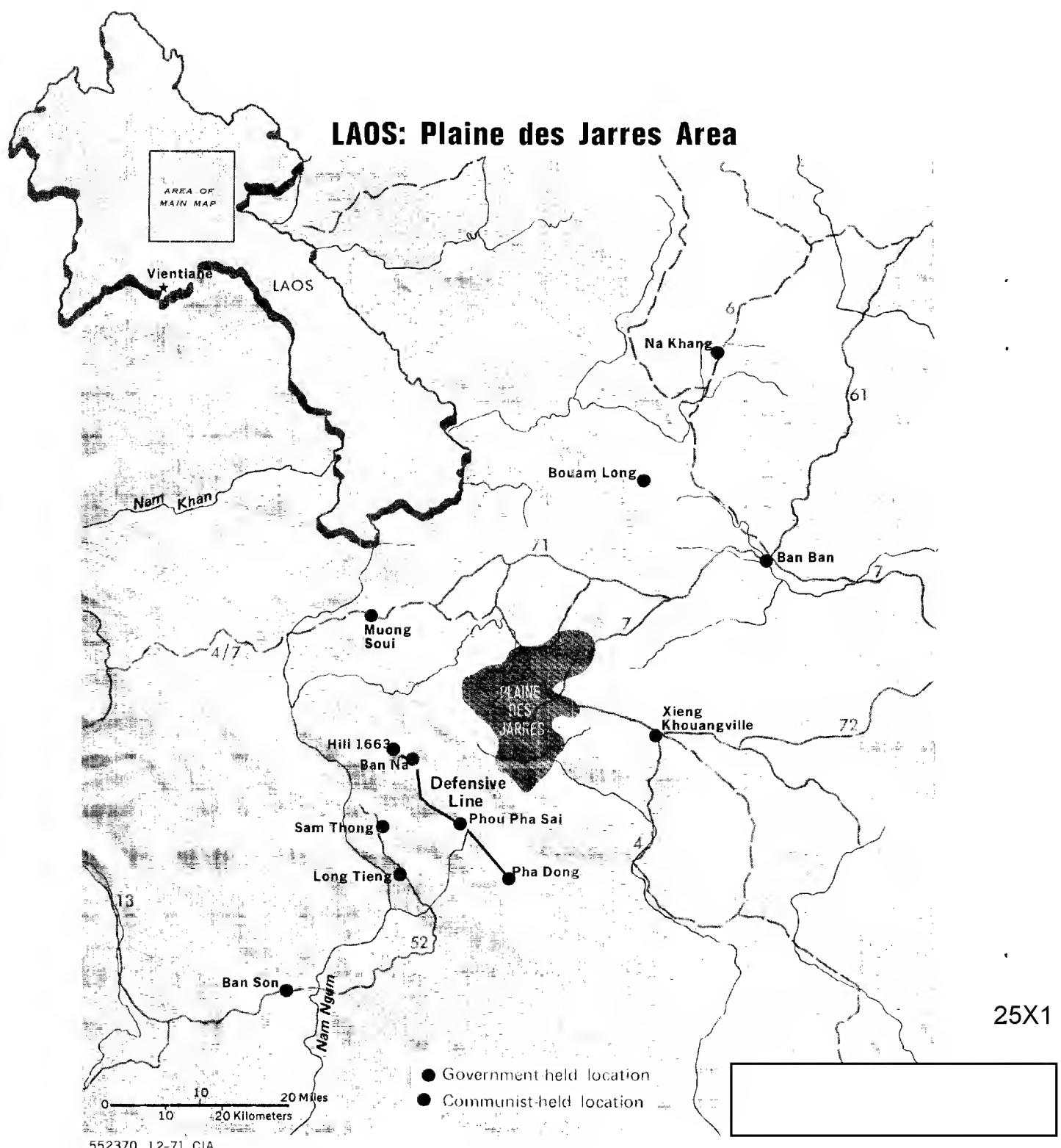
ROMANIA-SUDAN-CHINA: Bucharest has agreed to provide its first economic assistance to Khartoum as part of continuing efforts to improve relations with the Arab countries.

Romania's extension of \$75 million in credit to Sudan closely follows restoration of diplomatic relations that were broken in August 1969 when Bucharest and Tel Aviv raised their diplomatic missions to the ambassadorial level. Romanian aid will cover projects such as mineral and oil exploration as well as the development of water transportation on the Nile.

This credit is the second known offer of Communist financial assistance Sudan has received since the coup and counter coup last summer. China recently agreed to provide \$40 million in credit to be used for developing fisheries, mineral prospecting, and construction of an agricultural equipment plant. The value of this credit was reported erroneously to be more than \$190 million.

Romanian economic credits to Arab countries within the last two months have totaled \$210 million. In addition to the Sudan, Egypt is to receive \$100 million and Iraq \$35 million.

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NOTES

LAOS: The North Vietnamese have continued to probe and shell government positions in the defensive line northeast of Long Tieng, but no significant ground attacks have been launched. The enemy build-up east of Long Tieng is apparently continuing; one irregular survivor from the fighting on the southeastern Plaine who returned to friendly lines at Pha Dong on 29 December reported that it was impossible to move overland to Long Tieng because of the number of North Vietnamese troops in the area. The government has again begun preparing Ban Son, a refugee center 20 miles southwest of Long Tieng, to handle T-28 aircraft, thereby reducing dependence on the Long Tieng strip.

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LAOS: Communist work crews, adding to the web of roads now in the Ho Chi Minh trail system, are providing further alternates to choke points in the central panhandle. Field readouts of photography of November and December show a 52-mile north-south road almost completed through the central panhandle. This road is between and parallel to Routes 23 and 99. In the Ban Phone area, two other roads are under construction eastward from the Xe Kong River. These new roads and additions that are being made to existing roads will improve access to the tri-border area, south Laos and Cambodia.

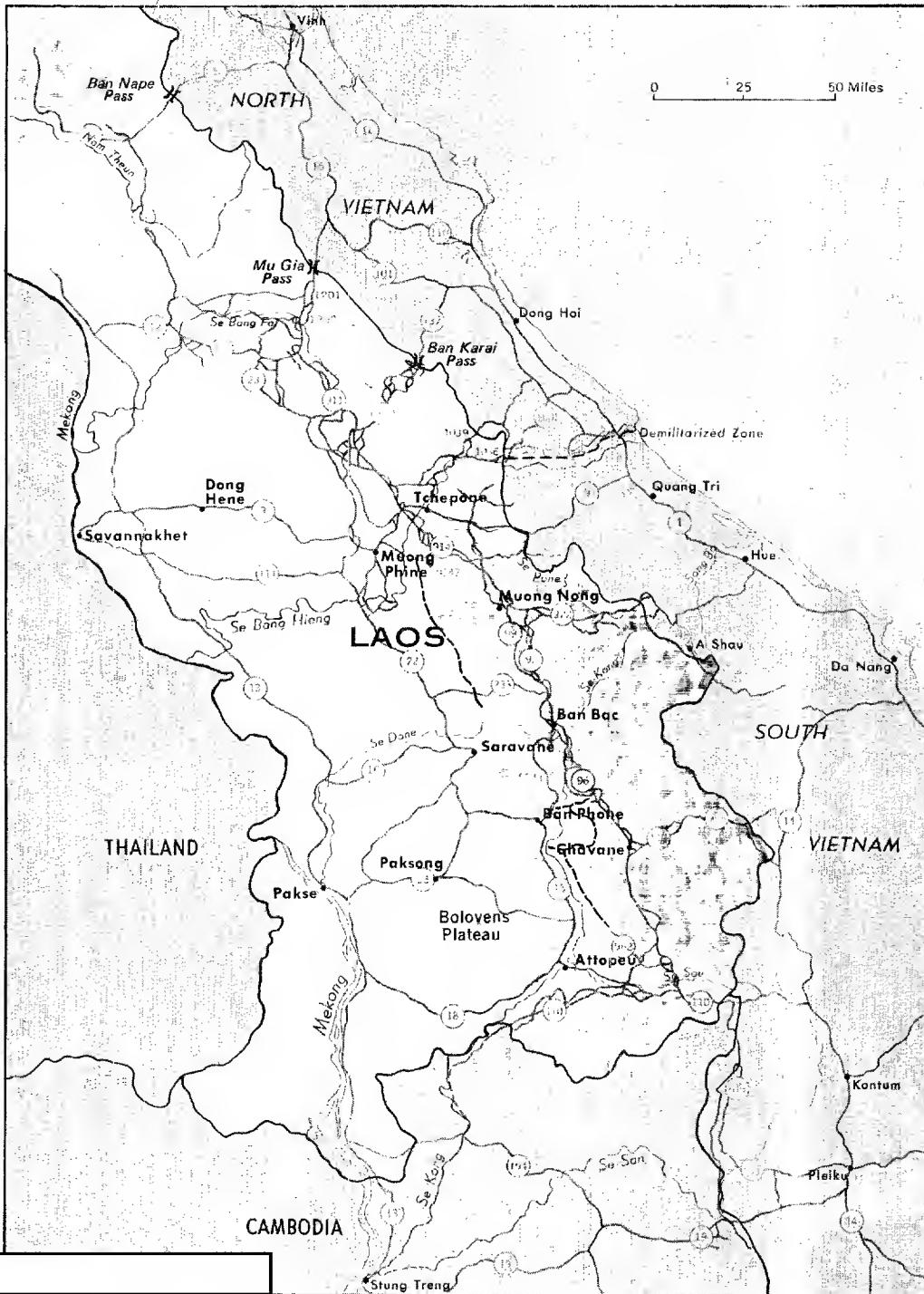
(Map on Reverse)

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LAOTIAN PANHANDLE: Road Construction



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C MALTA-UK: Prime Minister Mintoff may begin harassing British forces on 1 January

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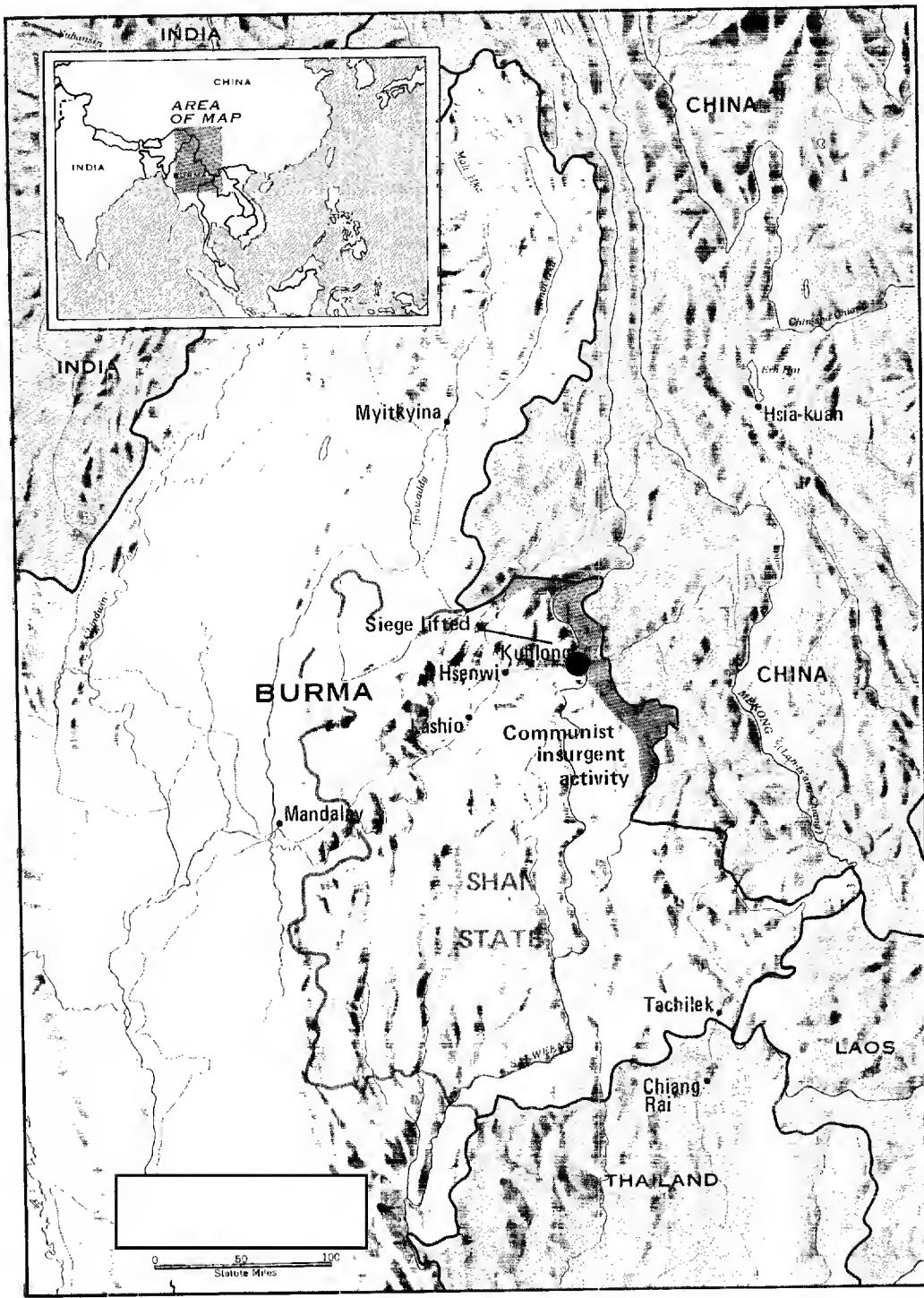
The badgering probably would include for example, revoking driving licenses, and cutting off power and water to base areas. Anti-British demonstrations, which could threaten British civilians as well as troops, are also possible. Meanwhile, the Maltese leader made a surprise visit to Libya yesterday. Mintoff apparently expects to receive a long-term cash aid commitment from Tripoli as well as a promise to increase imports from Malta and to employ up to 5,000 Maltese workers in Libya. Although the extent of Libyan interest in Malta is not clear, it is possible that Tripoli will again come to Mintoff's assistance by providing at least a portion of the funds he wants and says he desperately needs. On the domestic front, Mintoff still appears to command the support of all sectors of the ruling Labor Party, while the opposition, at least for the moment, remains indecisive.

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EUROPEAN COMMUNITIES: EC Commissioner Mansholt reportedly is ready to propose to the Commission the substantially higher agricultural prices, which in November he had indicated would be necessary. The higher prices are a concession to strong farm pressure, but Mansholt's proposal attempts to mitigate the impact by spreading the price increases for grains and beef over a two-year period. Serious differences may emerge over Mansholt's specific price recommendations, both within the Commission and among the member states, and the Council will not take a final decision on new prices before February or March. The discussions will be complicated by the contentious question of revaluing the Community's unit of account, which is the basis for converting common agricultural prices into national currencies. The proposal suggests that agricultural prices will be a difficult issue to resolve in the ongoing US-EC trade talks.

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BURMA: Communist insurgents appear to have lifted their siege of Kunlong, an important town in the northeast. The Communist forces, which had exerted heavy pressure on Kunlong for over five weeks, pulled back and stopped their shelling on 28 December. The Burmese Army is gratified over the apparent success of its effort to hold fast in the face of the most protracted Communist offensive it has ever encountered, but the army has delayed the return of civilians to Kunlong until it is certain the rebels have abandoned their attempt to take the town.

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